

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00 FEA-02

EB-11 SS-20 TRSE-00 COME-00 INT-08 PM-07 L-03 CIAE-00

DODE-00 INR-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03

STR-08 CEA-02 CIEP-02 OMB-01 DRC-01 /110 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 2555

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POUCHED FOR INFO ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG CA

SUBJECT: ENERGY: FEDERAL-PROVINCIAL ENERGY CONFERENCE

1. FOLLOWING CLOSED MEETING MOST OF AFTERNOON OF JANUARY 23, PRIME MINISTER TRUDEAU MADE BRIEF (AND SOMEWHAT CRYPTIC) ANNOUNCEMENT SETTING FORTH THE FIRST MINISTERS' AGREEMENT ON ENERGY POLICY FOR THE SHORT-TERM:

(A) VOLUNTARY OIL PRICE FREEZE WILL CONTINUE UNTIL MARCH 31, 1974. DURING THIS PERIOD THE PRODUCING PROVINCES "WILL SHOW RESTRAINT" AND WILL CONTINUE TO RECEIVE DIRECTLY 50 PERCENT OF THE EXPORT TAX.

(B) TO MEET CERTAIN REQUIREMENTS OF SASKATCHEWAN LEGISLATION, THAT PROVINCE IS ALLOWED DURING SHORT-TERM PERIOD TO DEVIATE FROM THE PRICE FREEZE AND INCREASE ITS WELL-HEAD PRICE FROM PRESENT AVERAGE OF \$4.00 PER BARREL TO \$5.00 PER BARREL. FURTHERMORE, IF CERTAIN LEGAL IMPEDIMENTS CAN BE BRIDGED, SASKATCHEWAN MAY INCREASE THE PRICE TO \$6.00 PER BARREL FOR FOREIGN CONSUMERS. (NO INDICATION IF UNCLASSIFIED

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THIS WOULD BE ADDITION TO EXPORT TAX OR NOT.)

(C) DURING PERIOD UNTIL MARCH 31, THERE WILL BE NO WIDENING OF EAST-WEST PRICE DIFFERENTIALS. FEDERAL GOVERNMENT WILL PROVIDE OUT OF ITS FUNDS (INCLUDING ITS SHARE OF EXPORT TAX) THE NECESSARY AMOUNT TO "CUSHION" EASTERN CANADA FROM FURTHER INCREASES IN IMPORTED OIL EXPECTED TO HIT ABOUT FEBRUARY 1.

(D) AT THE END OF THE FREEZE PERIOD, A ONE-PRICE OIL POLICY (WITH ADJUSTMENTS FOR REGIONAL TRANSPORTATION COST DIFFERENCES) WILL GO INTO EFFECT.

(E) ALBERTA'S EXPRESSED DESIRE TO WORK WITH THE OTHER PROVINCES AND THE FEDERAL GOVERNMENT ON ACHIEVING NATION-WIDE PRICE PARITY ON OTHER COMMODITIES WILL BE EXAMINED.

2. IN THE LONG-TERM (I.E., AFTER MARCH 31), TRUDEAU SAID THERE WAS A GENERAL CONSENSUS THAT THERE BE AGREED OIL PRICE INCREASES WHICH WOULD BE "REASONABLE" AND STAGED.

3. IN CONCLUSION, TRUDEAU STATED THAT THERE WILL BE CONTINUED MEETINGS OF FEDERAL-PROVINCIAL ENERGY AND RESOURCES MINISTERS AND AT SOME FUTURE DATE POSSIBLY ANOTHER FIRST PREMIERS' MEETING.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ENERGY, PETROLEUM, MEETINGS, PRICE CONTROLS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974OTTAWA00213  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1974/newtext/t19740121/aaaaatxj.tel  
**Line Count:** 86  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kellerpr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 18 APR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <18 APR 2002 by elbezefj>; APPROVED <29 APR 2002 by kellerpr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY: FEDERAL-PROVINCIAL ENERGY CONFERENCE  
**TAGS:** ENRG, CA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005